

AIG Summary of Events 3/4/09

AIG and the Federal Reserve made several announcements related to an additional financial commitment from the federal government and a restructuring of the already existing credit facility.

The Federal Reserve's stated intent of the announced actions is to:

- o Improve AIG's capital position
- o Protect the value of its key businesses
- o Position the company better for later divestitures

The key points in the additional government support are:

- o Additional TARP funding from U.S. Treasury, provides additional \$30B to the prior \$40B while removing the requirement to pay dividends. This facility requires AIG to issue preferred stock to the U.S. Treasury.

- o Federal Reserve Bank of New York (FRBNY) reduced the original \$60B credit facility to \$25B, by taking \$26B interest in two foreign life companies: American Life Insurance Company (ALICO) and American International Assurance Company (AIA), and by receiving \$8.5B in lower-interest bonds from certain domestic life companies. These bonds represent the value of closed books of existing policies and present no risk to policyholders.

AIG also announced that it intends to form a General Insurance holding company, to be known as AIU Holdings, Inc., to hold its U.S. and international commercial property and casualty insurance business.

- AIG also announced its results for 4th quarter of 2008. In spite of the losses reported, the United States insurance company subsidiaries continue to be financially solvent and have risk-based capital levels in excess of statutory requirements. In addition, many of the insurance companies continue to report net income despite the weakened economy, though both the life and P&C companies experienced significant declines in business volume in the fourth quarter.

- The source of AIG's financial difficulties is in their holding company regulated by the U.S. Treasury Department's Office of Thrift Supervision. AIG's insurance subsidiaries are regulated by state insurance regulators. State regulators in New York, Pennsylvania, Texas, Delaware and other states where AIG insurance companies are domiciled are closely monitoring the financial condition of these companies and remain committed to acting in a coordinated manner to review and approve any appropriate transactions related to AIG's U.S. insurance operations.

- State regulators, working through the NAIC, have been in constant communication with both the Federal Reserve and AIG officials concerning the latest efforts to shore up the financial condition of the AIG holding company.

- As always, the primary concern of state regulators is the continued financial solvency of the 72 state-regulated insurance companies under the AIG corporate umbrella.

- State regulators' goal is to make sure that as the Federal Reserve and AIG continue their efforts to restructure the government's financial investment in AIG, the individual and commercial policyholders of AIG's insurance companies remain protected. We are confident that this goal is shared by the Federal Reserve and AIG.

Consumer Questions

Will the AIG insurance companies be able to pay claims?

In short, yes. The AIG affiliated insurance companies are financially solvent and able to pay claims. The financial issues facing the AIG Holding Company are occurring because of investments in risky mortgage-backed securities initiated by AIG financial products companies. Continued loss reports are largely due to those same investments and the newly announced government funding is primarily directed at improving AIG's capital position and protecting the value of its key businesses.

What are state regulators doing to make sure AIG insurance companies can continue to pay claims?

State insurance regulators, including those in Kentucky, are closely monitoring the financial condition of the AIG affiliated insurance companies and are reviewing any activity at the parent company that impacts insurance company assets. Any significant transaction impacting an AIG insurance company, including sale of the company, is subject to state regulator approval.

Didn't the government just bail out AIG? Why do they still need more money?

Due to general economic conditions, almost everyone is losing money, including AIG and other insurance companies. When the government stepped in to assist AIG, the assumption was that the AIG Holding Company could sell its valuable insurance operating subsidiaries to raise funds to pay back the loan. Unfortunately, the credit market was and continues to be basically frozen, thus the need for further support from the federal government for this systemically important company.

What happens if AIG affiliated insurance companies get into financial trouble?

State regulators have a variety of tools available if it appears that an insurer is not going to be able to fulfill its promises to policyholders. Your

state regulator can take over management of an insurer through conservation or rehabilitation. Even if liquidation of an insurance company is necessary, policyholder claims will generally be paid either by the insurance company or by a guaranty fund, which all states have in place to provide coverage to policyholders. This protection applies to direct business written by authorized licensed insurers. For more information, visit the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) at www.nolgha.com or the National Conference of Insurance Guaranty Funds (NCIGF) at www.ncigf.org. In Kentucky, consumers may visit the Kentucky Life and Health Insurance Guaranty Association Web site at www.klhiga.org.

Are the insurance and annuity policies I purchased from AIG safe, or am I going to lose my money?

Your policies are safe. AIG's insurance companies are solvent and able to honor policyholders' claims. Your state's insurance department will continue to closely monitor the situation to ensure policyholders are protected and that there will continue to be sufficient assets to pay claims.

I own an AIG American General fixed annuity. Is that protected by state insurance solvency standards in the same way that insurance policies are?

Yes. Fixed annuities are considered a type of life insurance, and as such are protected by the same solvency and guaranty framework as traditional life insurance. If at some point in the future AIG insurance companies or their assets and blocks of business are sold, fixed annuity-holders should experience no changes to the way their policies are administered -- other than the fact that their correspondence may come from a different company. This is not unique to AIG; insurance companies are bought and sold everyday. Your benefits as defined in the original annuity contract remain the same in a sale.

Should I cash in my insurance and annuity policies and purchase insurance from another insurer?

As stated above, the AIG insurance companies are solvent so your policies are not in jeopardy. Whether you should cash in your insurance policy or switch insurance to another insurer is, as always, a personal decision. Please be aware that some policies may contain surrender charges and/or cancellation penalties. Contact the Kentucky Department of Insurance (DOI) at 800-595-6053 to find out all the information your agent or broker should give you before you make a decision. Talk to your financial adviser before making any decisions. If you have any insurance policy with an AIG company and someone tells you to replace it because of the troubles at AIG's parent company or supposed trouble at the insurance company, call the Kentucky DOI.

Should I pay the insurance premium bill that I just received from AIG?

Yes, in order for your coverage with AIG to continue, you will need to pay the insurance premiums. Failure to pay your premiums can result in the termination of your insurance policies by the insurance company.

Would my insurance and annuity policies have been protected had AIG been declared insolvent and ordered to be liquidated by a court?

There are guaranty funds in place in all states which act as a safety net in the event an insurer becomes insolvent. You may obtain information about your state's guaranty funds by contacting the Kentucky Life and Health Insurance Guaranty Association at 502-895-5915 or by visiting the Web site at www.klhiga.org.

What can I do if I am having difficulty getting through to AIG on the telephone?

You may obtain information about filing a complaint by calling the Kentucky Department of Insurance at 800-595-6053 and asking to speak to the Consumer Protection and Education Division. Or, you can file a complaint online by going to <http://insurance.ky.gov> and clicking on "File a Formal Complaint Online," located on the Consumer Protection and Education button on the left.